

_____ BILL NO. _____

INTRODUCED BY _____
(Primary Sponsor)

A BILL FOR AN ACT ENTITLED: "AN ACT SETTING MINIMUM PLUGGING AND RESTORATION BOND AMOUNTS FOR OIL AND GAS WELLS; AMENDING SECTIONS 82-11-123 AND 82-11-136, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

WHEREAS, ARM 36.22.1308 does not adequately protect Montana's taxpayers from the expense of reclaiming oil and gas fields, especially those associated with coal bed methane development; and

WHEREAS, under section 82-11-111(2)(a), MCA, the Montana Board of Oil and Gas Conservation shall require measures to be taken to prevent contamination of or damage to surrounding land or underground strata caused by drilling operation and production, including but not limited to regulating the disposal or injection of water and disposal of oil field waste; and

WHEREAS, the Montana Board of Oil and Gas Conservation shall require the furnishing of a reasonable bond with good and sufficient surety, conditioned for performance of the duty to properly plug each dry or abandoned well; and

WHEREAS, blanket bonding as authorized by administrative rule has been proven to insufficiently address the true cost of reclamation and threatens to put Montana taxpayers in the unfair position of paying for adequate reclamation.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Plugging and restoration bonds -- requirements.** (1) The owner or operator of any well to be drilled or of any existing oil, gas, or class II injection well to be acquired shall provide a bond of at least:

(a) \$10,000 for each well of less than 3,000 feet in depth; or

(b) \$20,000 for each well 3,000 feet or more in depth.

(2) All bonds must be executed on a form provided by the board, must be payable to the state of Montana, and must be conditioned for the performance of the duty to properly plug each dry or abandoned well and to restore the surface of the location as required by board rules.

(3) The board may require an increase of any bond required under subsection (1) by at least \$10,000 but not more than \$20,000 for each well to ensure compliance with this section.

Section 2. Section 82-11-123, MCA, is amended to read:

"82-11-123. Requirements for oil and gas operations. Subject to the administrative control of the department under 2-15-121, the board shall require:

(1) identification of ownership of oil or gas wells, producing properties, and tanks;

(2) the making and filing of acceptable well logs, including bottom-hole temperatures (in order to facilitate the discovery of potential geothermal energy sources), the making and filing of reports on well locations, and the filing of directional surveys, geological sample logs, mud logs, core descriptions, and ordinary core analysis, if made; ~~however~~ However, logs of exploratory or wildcat wells need not be filed for a period of 6 months following completion of those wells;

(3) the drilling, casing, producing, and plugging of wells and class II injection wells in a manner that prevents the escape of oil or gas out of one stratum into another, the intrusion of water into oil or gas strata, blowouts, cave-ins, seepages, and fires and the pollution of fresh water supplies by oil, gas, salt, or brackish water;

(4) the restoration of surface lands to their previous grade and productive capability after a well is plugged or a seismographic shot hole has been utilized and necessary measures to prevent adverse hydrological effects from the well or hole, unless the surface owner agrees in writing, with the approval of the board or its representatives, to a different plan of restoration;

(5) the furnishing of a reasonable bond with good and sufficient surety, subject to the provisions of [section 1] ~~conditioned for performance of the duty to properly plug each dry or abandoned well~~. The bond may be forfeited in its entirety by the board for failure to perform the duty to properly plug each dry or abandoned well and may not be canceled or absolved if the well fails to produce oil or gas in commercial quantities, until:

(a) the board determines the well is properly plugged and abandoned as provided in the board's rules; or

(b) the requirements of 82-11-163 are met.

(6) proper gauging or other measuring of oil and gas produced and saved to determine the quantity and quality of oil and gas;

(7) that every person who produces, transports, or stores oil or gas or injects or disposes of water in this

1 state shall make available within this state for a period of 5 years complete and accurate records of the quantities.
2 The records must be available for examination by the board or its employees at all reasonable times. The person
3 shall file with the board reports as it may prescribe with respect to quantities, transportations, and storages of the
4 oil, gas, or water.

5 (8) the installation, use, and maintenance of monitoring equipment or methods in the operation of class
6 II injection wells."

7
8 **Section 3.** Section 82-11-136, MCA, is amended to read:

9 **"82-11-136. Expenditure of funds from bonds for plugging wells.** The board may accept and expend
10 all funds received by it from bonds for properly plugging dry or abandoned wells and to restore the surface of the
11 location as authorized in 82-11-123(5)."

12
13 NEW SECTION. **Section 4. Codification instruction.** [Section 1] is intended to be codified as an
14 integral part of Title 82, chapter 11, part 1, and the provisions of Title 82, chapter 11, part 1, apply to [section 1].

15
16 NEW SECTION. **Section 5. Saving clause.** [This act] does not affect rights and duties that matured,
17 penalties that were incurred, or proceedings that were begun before [the effective date of this act].

18
19 NEW SECTION. **Section 6. Effective date.** [This act] is effective on passage and approval.

20
21 NEW SECTION. **Section 7. Applicability.** [This act] applies to applications received on or after [the
22 effective date of this act].

23 - END -